

Marvell Technology Group

Investor Relations

FQ1' 2015 Earnings Update



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Safe Harbor: Forward-Looking Statements

All statements included in these slides, other than statements or characterizations of historical fact, are forward-looking statements within the meaning of the federal securities laws, including the Private Securities Litigation Reform Act of 1995. These forward-looking statements include, among others, guidance regarding our future financial outlook including revenue, gross margin, R&D expense, SG&A expense, other income/expense, tax expense and EPS for the second quarter of fiscal 2015; payment and timing of a quarterly dividend; and expectations in each of the end markets we serve (Mobile & Wireless, Storage and Networking). These forward-looking statements are not guarantees of results and should not be considered as an indication of future performance. Actual events or results may differ materially from those described in these slides due to a number risk and uncertainties including, among others, our reliance on a few customers for a significant portion of our revenue; costs and liabilities relating to current and future litigation; our ability to develop and introduce new and enhanced products in a timely and cost effective manner and the adoption of those products in the market; seasonality in sales of consumer devices in which our products are incorporated; our ability to compete in products and prices in an intensely competitive industry; uncertainty in the worldwide economic conditions; our ability to recruit and retain skilled personnel; our ability to generate cash flows; and other risks detailed in our SEC filings from time to time. For other factors that could cause our results to vary from expectations, we refer you to our Annual Report on Form 10-K for the year ended February 1, 2014 and subsequent filings with the SEC, which discuss some of the important risk factors that could contribute to such differences or otherwise affect our business, results of operations and financial condition. We undertake no obligation to revise or update publicly any forward-looking statement to reflect future events or circumstances, including the financial outlook for the second quarter of fiscal 2015 contained herein.

The payment of future quarterly cash dividends on Marvell's common shares is subject to, among other things, the best interests of our shareholders, our results of operations, cash balances and future cash requirements, financial condition, developments in ongoing litigation, statutory requirements of Bermuda law, and other factors that our board of directors may deem relevant.

The financial outlook contained herein does not include the potential impact of future share repurchases, pending litigation matters, business combinations, asset acquisitions or other investments that may be completed after May 3, 2014. Our financial outlook for the second quarter of fiscal 2015 is based on expectations, assumptions and estimates that we believe are reasonable, and is subject to a wide range of business risks and uncertainties, many of which are beyond our control. The financial outlook contained herein should not be regarded as representations by us that the estimated results will be achieved or are indicative of future results.

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Use of Non-GAAP Financial Measures

These slides provide financial measures on a U.S. GAAP as well as a non-GAAP basis. These non-GAAP results exclude the effect of share-based compensation, amortization and write-off of acquired intangible assets, acquisition-related costs, restructuring and other exit related costs, and certain one-time expenses or benefits. We believe that the presentation of non-GAAP financial measures provide important supplemental information to management and investors regarding financial and business trends relating to our financial condition and results of operations. While we use non-GAAP financial measures as a tool to enhance our understanding of certain aspects of our financial performance, we do not consider these measures to be a substitute for, or superior to, the information provided by GAAP financial measures. A reconciliation in accordance with SEC Regulation G for the non-GAAP financial measures used in these slides is available in the financial statements section to this presentation and/or in the Investor Relations section of our website at www.marvell.com.

FQ1' 2015 Financial Results

Key Highlights from FQ1' 2015 Results

Revenue

- Revenue of \$958M, approximately 3% increase from FQ4
- Strong demand for 4G LTE from multiple customers in China
- Seasonal decline in HDDs
- Double digit growth in SSDs
- Flat Networking end market

Non-GAAP EPS & Profitability

- EPS (diluted): \$0.27
- Gross margin: 48.8%
- Operating margin: 14.4%
- FCF margin: 22%

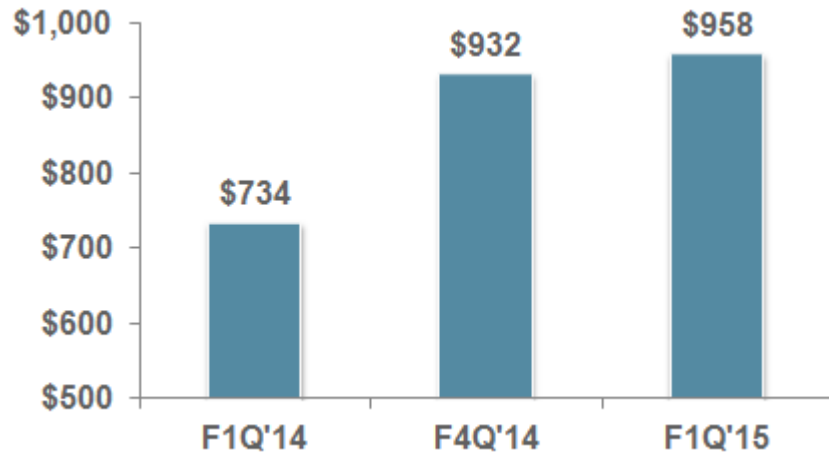
Shareholder Capital Returns

- Quarterly payment of \$30 million in dividends or 6 cents per share

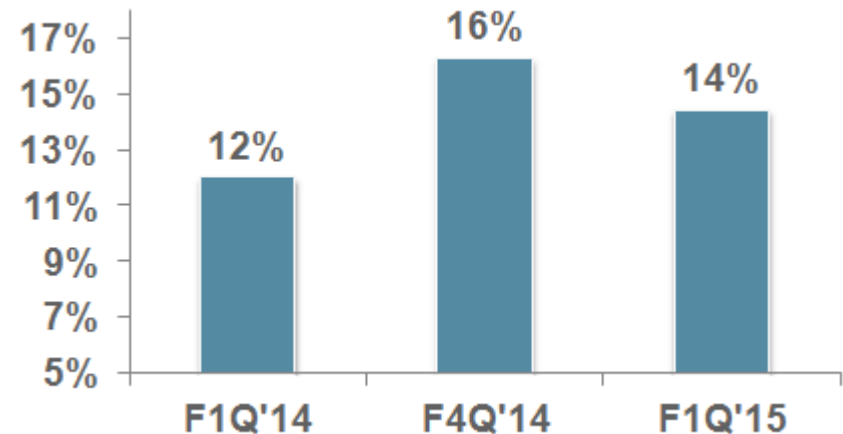
Source: Marvell

FQ1' 2015 Financial Summary

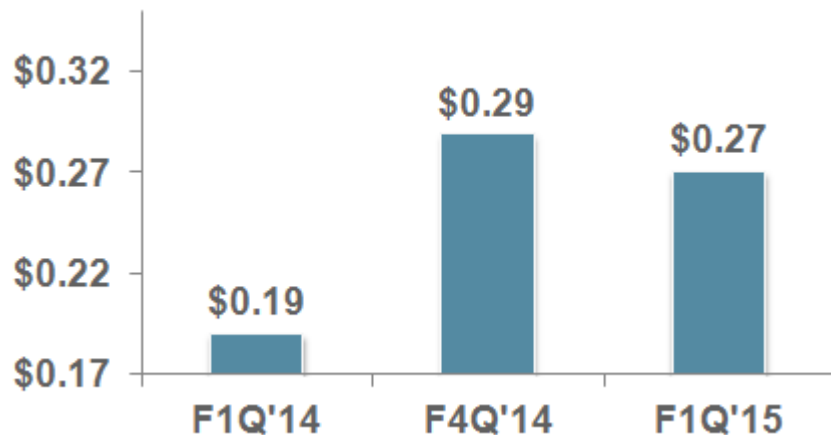
Revenue (\$M)



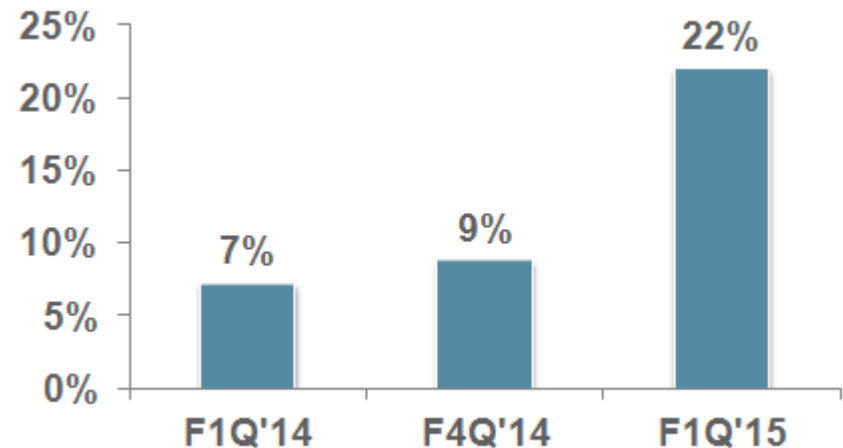
Non-GAAP Operating Margin (%)



Non-GAAP Diluted EPS (\$)

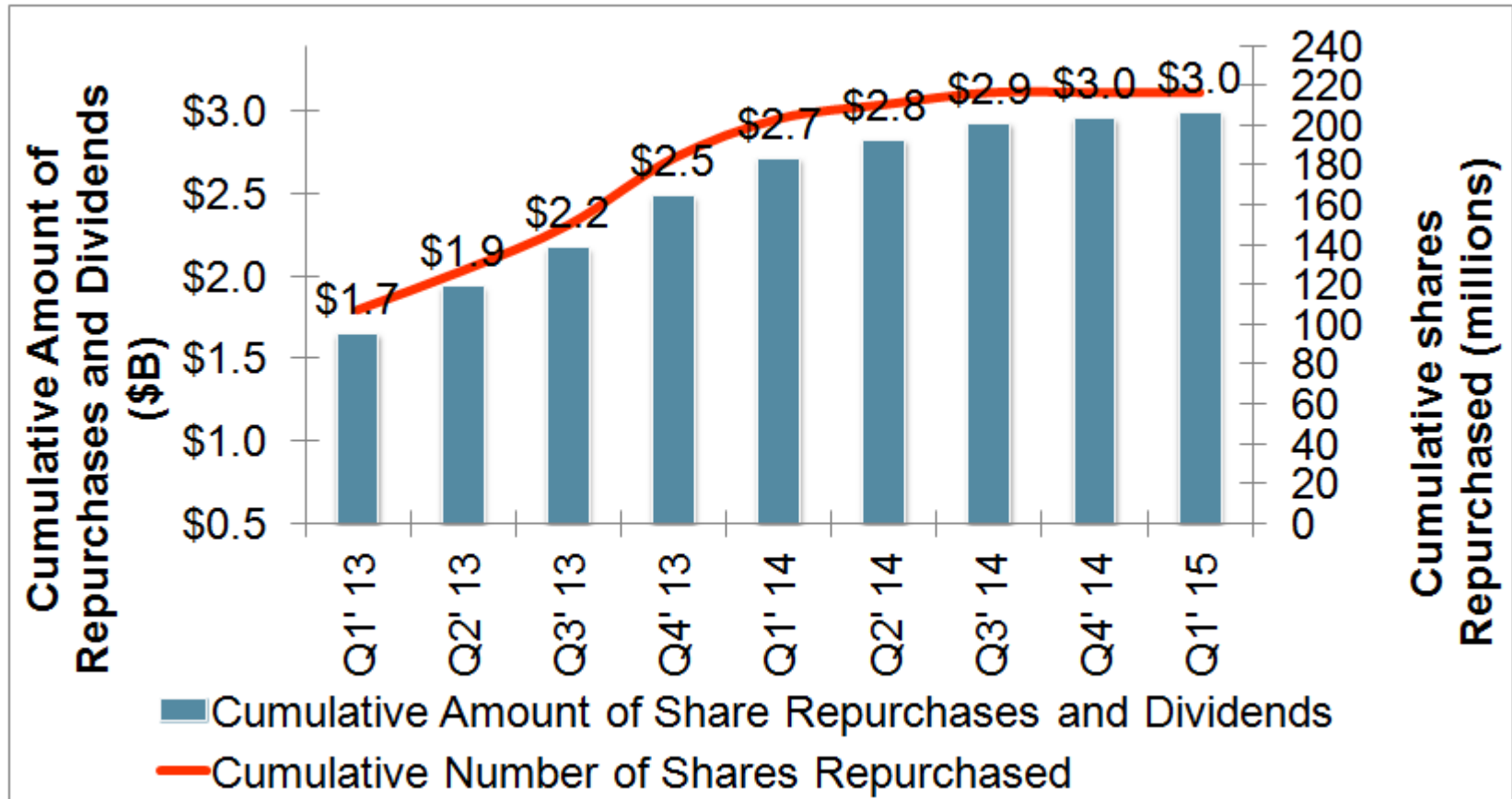


FCF Margin (%)



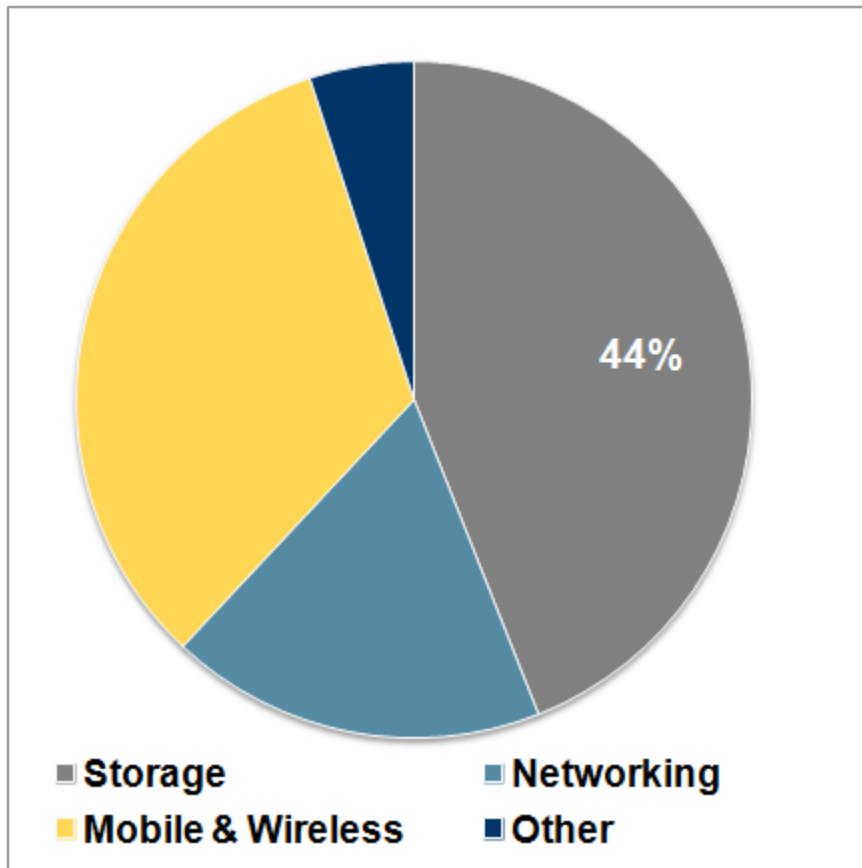
Source: Marvell

Return of Capital



Source: Marvell

End Markets: Storage



FQ1 Highlights

- 44% of overall revenue
- Overall Storage revenue decline of -6% q/q and an increase of +7% y/y
- Seasonal decline in HDDs in FQ1
- Continued share gains in HDDs within enterprise
- Better than expected demand for SSDs – double digit sequential growth in units and revenue

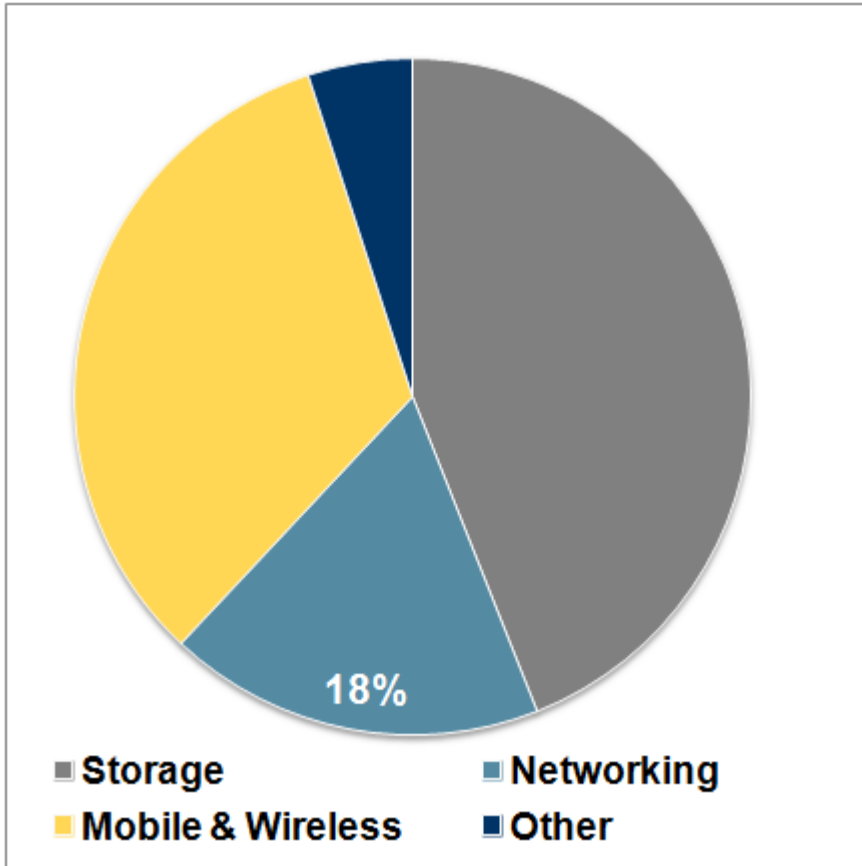
FQ2 Expectations

- Approximately flat to FQ1

Source: Marvell

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End Markets: Networking



FQ1 Highlights

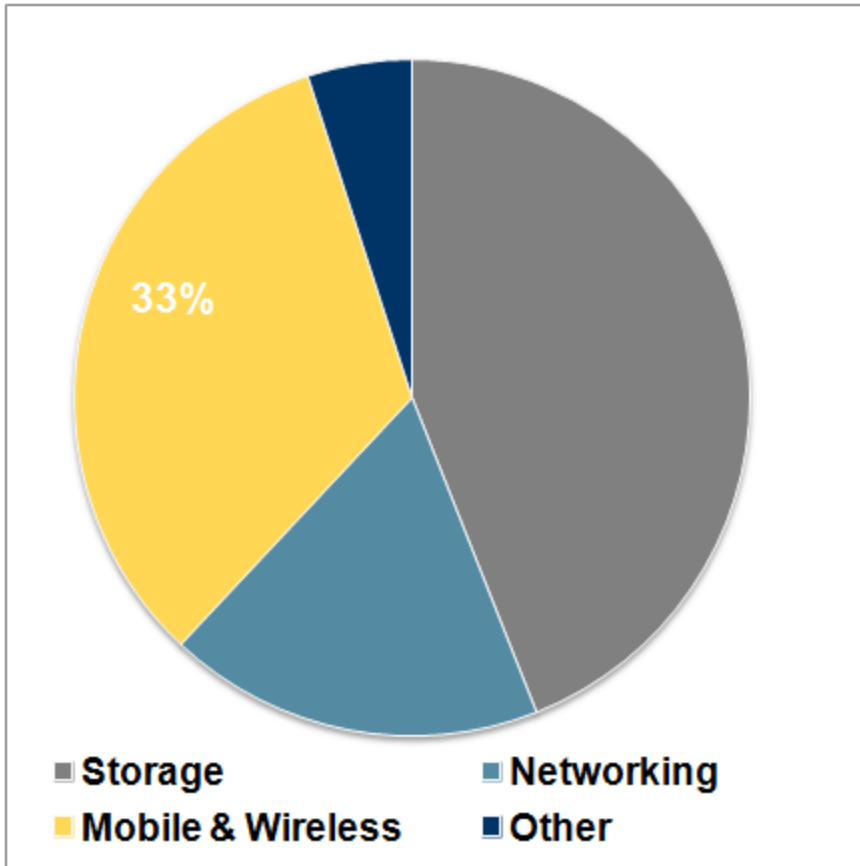
- 18% of overall revenue
- Overall Networking flat q/q and a decline of -3% y/y
- Double digit sequential growth for Xelerated NPU product family
- Increased design-win traction for Armada SoC's devices in NAS and Ethernet routers
- Soft demand for switches and controllers

FQ2 Expectations

- Approximately flat to FQ1

Source: Marvell

End Markets: Mobile & Wireless



FQ1 Highlights

- 33% of overall revenue
- Mobile and Wireless growth of +30% q/q and +139% y/y
- Strong shipments of 4G platforms to multiple customers in China
- Verizon LTE certification complete
- Better than expected seasonality in Wireless connectivity

FQ2 Expectations

- Approximately flat to FQ1

Source: Marvell

FQ2' 2015 Financial Outlook

FQ2' 2015 Outlook

	FQ2' 2015 Outlook
Revenue	\$940 to \$980 million
Non-GAAP Gross Margin	50% +/- 100 bps
Non-GAAP Operating Expense	\$330 million +/- \$10 million
Non-GAAP R&D Expense	\$270 million
Non-GAAP SG&A Expense	\$60 million
Other Income / (Expense)	\$1 million
Tax Expense	\$1 million
Non-GAAP EPS (diluted)	\$0.28 +/- \$0.02
GAAP EPS (diluted)	\$0.21 +/- \$0.02

Source: Marvell

Financial Statements

Unaudited Statement of Operations

(In thousands, except per share amounts)

	<u>Q2'13</u>	<u>Q3'13</u>	<u>Q4'13</u>	<u>Q1'14</u>	<u>Q2'14</u>	<u>Q3'14</u>	<u>Q4'14</u>	<u>Q1'15</u>
Net revenue	\$ 816,104	\$ 780,881	\$ 775,294	\$ 734,369	\$ 807,056	\$ 931,226	\$ 931,749	\$ 957,830
Cost of goods sold	381,839	374,503	370,833	335,438	386,059	464,981	477,252	493,860
Gross profit	434,265	406,378	404,461	398,931	420,997	466,245	454,497	463,970
Operating expenses:								
Research and development	264,175	263,615	273,685	279,052	292,642	296,291	288,900	295,363
Selling and marketing	41,034	38,398	42,319	39,989	38,548	37,496	36,665	38,358
General and administrative	25,718	24,514	32,577	26,323	27,192	26,589	26,367	30,573
Amortization and write-off of acquired intangible assets	13,023	13,054	12,268	10,686	10,638	10,645	11,956	6,689
Total operating expenses	343,950	339,581	360,849	356,050	369,020	371,021	363,888	370,983
Operating income	90,315	66,797	43,612	42,881	51,977	95,224	90,609	92,987
Interest and other income, net	5,864	2,387	6,225	3,160	8,253	1,536	12,617	1,925
Income before income taxes	96,179	69,184	49,837	46,041	60,230	96,760	103,226	94,912
Provision (benefit) for income taxes	3,105	368	(315)	(7,168)	(1,596)	(6,396)	6,097	(4,567)
Net income	<u>\$ 93,074</u>	<u>\$ 68,816</u>	<u>\$ 50,152</u>	<u>\$ 53,209</u>	<u>\$ 61,826</u>	<u>\$ 103,156</u>	<u>\$ 97,129</u>	<u>\$ 99,479</u>
Net income per share - basic	<u>0.17</u>	<u>0.12</u>	<u>0.10</u>	<u>0.11</u>	<u>0.13</u>	<u>0.21</u>	<u>0.20</u>	<u>0.20</u>
Net income per share - diluted	<u>0.16</u>	<u>0.12</u>	<u>0.09</u>	<u>0.11</u>	<u>0.12</u>	<u>0.21</u>	<u>0.19</u>	<u>0.19</u>
Weighted average shares — basic	<u>562,362</u>	<u>553,049</u>	<u>525,804</u>	<u>502,180</u>	<u>494,293</u>	<u>491,979</u>	<u>497,620</u>	<u>505,105</u>
Weighted average shares — diluted	<u>570,325</u>	<u>559,348</u>	<u>528,082</u>	<u>505,387</u>	<u>500,625</u>	<u>501,189</u>	<u>510,449</u>	<u>520,751</u>

The following table presents details of total share-based compensation expense included in each functional line item in the unaudited condensed consolidated statements of income above:

Cost of goods sold	1,775	1,944	2,300	1,867	1,868	2,531	2,597	2,299
Research and development	22,413	22,565	24,997	23,279	28,982	30,084	27,087	20,368
Selling and marketing	3,458	3,101	3,683	3,392	3,648	3,738	3,162	2,928
General and administrative	5,582	2,764	5,506	4,975	6,593	6,848	5,222	4,374

Source: Marvell

Unaudited Statement of Cash Flows

(In thousands)

	Q2'13	Q3'13	Q4'13	Q1'14	Q2'14	Q3'14	Q4'14	Q1'15
Cash flows from operating activities:								
Net income	\$ 93,074	\$ 68,816	\$ 50,152	\$ 53,209	\$ 61,826	\$ 103,156	\$ 97,129	\$ 99,479
Adjustments to reconcile net income to net cash provided by operating activities:								
Depreciation and amortization	21,285	22,317	26,227	24,966	25,697	25,913	26,176	27,006
Share-based compensation	33,228	30,374	36,486	33,513	41,091	43,201	38,068	29,969
Amortization and write-off of acquired intangible assets	13,023	13,054	12,268	10,686	10,638	10,645	12,037	7,174
Other expense, net	2,272	1,260	957	2,523	1,816	1,655	2,184	1,470
Gain from sale of a product line	-	-	-	-	-	-	(6,975)	-
Excess tax benefits from share-based compensation	(3)	(5)	(9)	(7)	(25)	(10)	22	(44)
Changes in assets and liabilities:								
Accounts receivable	26,610	16,002	44,532	(40,112)	(60,524)	(35,855)	13,233	(63,578)
Inventories	7,832	21,601	73,468	(20,123)	(64,170)	(45,157)	32,262	(3,105)
Prepaid expenses and other assets	11,393	358	(15,861)	6,802	12,503	(4,293)	8,365	(2,161)
Accounts payable	6,288	(54,674)	2,833	28,936	54,933	44,442	(88,520)	85,128
Accrued liabilities and other non-current liabilities	(4,204)	(3,653)	(2,272)	(20,081)	(13,013)	12,584	10,883	(7,134)
Accrued employee compensation	(24,033)	29,509	(24,878)	4,423	(471)	10,013	(19,752)	30,001
Deferred income	2,427	(8,382)	692	(880)	16,195	10,905	(24,623)	30,932
Net cash provided by operating activities	189,192	136,577	204,595	83,855	86,496	177,199	100,489	235,137
Cash flows from investing activities:								
Purchases of available-for-sale securities	(225,255)	(558,457)	(338,538)	(306,838)	(164,631)	(220,280)	(146,143)	(181,889)
Sales and maturities of available-for-sale securities	322,532	436,435	517,911	335,771	162,909	346,826	149,533	182,311
Net proceeds from sale of a product line	-	-	-	-	-	-	6,306	-
Investments in privately-held-companies	(750)	-	(3,000)	-	(750)	(1,119)	-	(441)
Cash paid for acquisitions, net	-	(1,000)	-	(2,551)	-	-	-	-
Purchases of technology licenses	(4,407)	(4,235)	(24,315)	(5,860)	(1,750)	(6,383)	(3,654)	(8,111)
Purchases of property and equipment	(10,830)	(19,356)	(19,096)	(20,080)	(18,981)	(14,222)	(13,310)	(16,131)
Net cash (used in) provided by investing activities	81,290	(146,613)	132,962	442	(23,203)	104,822	(7,268)	(24,261)
Cash flows from financing activities:								
Repurchase of common stock	(250,327)	(202,987)	(260,464)	(216,694)	(88,114)	(71,477)	-	-
Proceeds from employee stock plans	39,526	8,915	38,692	19,805	53,316	24,155	107,686	19,092
Minimum tax withholding paid on behalf of employees for net share settlement	(598)	(345)	(277)	(9,378)	(510)	(518)	(466)	(24,286)
Dividend payment to shareholders	(33,537)	(33,476)	(31,748)	(30,253)	(29,791)	(29,516)	(29,889)	(30,172)
Payments on technology license obligations	-	-	-	(5,317)	(984)	-	(1,110)	-
Excess tax benefits from share-based compensation	3	5	9	7	25	10	(22)	44
Net cash (used in) provided by financing activities	(244,933)	(227,888)	(253,788)	(241,830)	(66,058)	(77,346)	76,199	(35,322)
Net increase (decrease) in cash and cash equivalents	25,549	(237,924)	83,769	(157,533)	(2,765)	204,675	169,420	175,554
Cash and cash equivalents at beginning of period	880,559	906,108	668,184	751,953	594,420	591,655	796,330	965,750
Cash and cash equivalents at end of period	\$ 906,108	\$ 668,184	\$ 751,953	\$ 594,420	\$ 591,655	\$ 796,330	\$ 965,750	\$ 1,141,304

Unaudited Balance Sheet

(In thousands)

	Q2'13	Q3'13	Q4'13	Q1'14	Q2'14	Q3'14	Q4'14	Q1'15
Assets								
Current assets:								
Cash, cash equivalents, and short-term investments	\$ 2,134,193	\$ 2,016,799	\$ 1,918,990	\$ 1,732,643	\$ 1,726,198	\$ 1,804,068	\$ 1,969,405	\$ 2,146,445
Accounts receivable, net	390,772	374,770	330,238	370,350	430,874	466,729	453,496	517,074
Inventories	345,712	323,997	250,420	270,652	335,320	380,412	347,861	350,649
Prepaid expenses and other current assets	58,904	62,264	85,698	79,269	66,238	66,450	68,458	72,815
Total current assets	2,929,581	2,777,830	2,585,346	2,452,914	2,558,630	2,717,659	2,839,220	3,086,983
Property and equipment, net	366,935	362,297	372,971	370,634	363,486	358,150	356,165	349,321
Long-term investments	18,103	18,103	16,769	16,550	16,299	16,158	16,279	13,456
Goodwill and acquired intangible assets, net	2,146,118	2,134,061	2,121,793	2,114,893	2,104,255	2,093,610	2,078,980	2,071,806
Other non-current assets	123,815	133,663	164,885	166,176	161,574	162,379	160,366	161,406
Total assets	\$ 5,584,552	\$ 5,425,954	\$ 5,261,764	\$ 5,121,167	\$ 5,204,244	\$ 5,347,956	\$ 5,451,010	\$ 5,682,972
Liabilities and Shareholders' Equity								
Current liabilities:								
Accounts payable	\$ 335,100	\$ 291,366	\$ 286,552	\$ 307,393	\$ 355,164	\$ 400,403	\$ 316,389	\$ 409,005
Accrued liabilities	223,508	249,645	261,186	246,432	242,953	270,199	273,170	288,076
Deferred income	67,840	59,458	60,150	59,270	75,465	86,370	61,747	92,679
Total current liabilities	626,448	600,469	607,888	613,095	673,582	756,972	651,306	789,760
Other non-current liabilities	154,990	149,191	169,281	155,631	138,152	127,765	123,794	123,725
Total liabilities	781,438	749,660	777,169	768,726	811,734	884,737	775,100	913,485
Shareholders' equity:								
Common stock	3,318,693	3,154,536	2,946,660	2,790,522	2,802,304	2,797,744	2,942,655	2,967,113
Accumulated other comprehensive income (loss)	1,378	3,375	1,148	2,176	(1,572)	57	597	409
Retained earnings	1,483,043	1,518,383	1,536,787	1,559,743	1,591,778	1,665,418	1,732,658	1,801,965
Total shareholders' equity	4,803,114	4,676,294	4,484,595	4,352,441	4,392,510	4,463,219	4,675,910	4,769,487
Total liabilities and shareholders' equity	\$ 5,584,552	\$ 5,425,954	\$ 5,261,764	\$ 5,121,167	\$ 5,204,244	\$ 5,347,956	\$ 5,451,010	\$ 5,682,972

Source: Marvell

Unaudited GAAP to Non-GAAP Reconciliations (In thousands, except per share amounts)

	Q2'13	Q3'13	Q4'13	Q1'14	Q2'14	Q3'14	Q4'14	Q1'15
GAAP Net income	\$ 93,074	\$ 68,816	\$ 50,152	\$ 53,209	\$ 61,826	\$ 103,156	\$ 97,129	\$ 99,479
(1) Cost of goods sold								
Share-based compensation	1,775	1,944	2,300	1,867	1,868	2,531	2,597	2,299
Acquisition related costs	1,054	-	-	-	-	-	-	-
Amortization of acquired intangible assets	-	-	-	-	-	-	228	925
Legal/Tax related matters	-	-	5,698	-	4,728	-	9,500	-
(2) Research and development:								
Share-based compensation	22,413	22,565	24,997	23,279	28,982	30,084	27,087	20,368
Acquisition related costs	466	458	262	400	(1,135)	414	116	-
Restructuring and other exit related	42	2	1	-	-	4,613	829	4,682
Legal/Tax related matters	-	-	(690)	-	-	-	-	-
(3) Selling and marketing:								
Share-based compensation	3,458	3,101	3,683	3,392	3,648	3,738	3,162	2,928
Acquisition related costs	50	57	14	45	34	-	-	-
Restructuring and other exit related	7	(3)	-	-	-	795	-	48
(4) General and administrative:								
Share-based compensation	5,582	2,764	5,506	4,975	6,593	6,848	5,222	4,374
Acquisition related costs	7	8	19	20	20	19	5	-
Restructuring and other exit related	810	130	153	228	178	527	118	358
Legal/Tax related matters	250	-	-	-	500	-	-	2,000
(5) Other operating costs and expenses:								
Amortization and write-off of acquired intangible assets	13,023	13,054	12,268	10,686	10,638	10,645	11,956	6,689
(6) Gain from sale of a product line:	-	-	-	-	-	-	(6,975)	-
Non-GAAP Net income	\$ 142,011	\$ 112,896	\$ 104,363	\$ 98,101	\$ 117,880	\$ 163,370	\$ 150,974	\$ 144,150
Non-GAAP Operating income	\$ 139,252	\$ 110,877	\$ 97,823	\$ 87,773	\$ 108,031	\$ 155,438	\$ 151,429	\$ 137,658
GAAP Weighted average shares — diluted	570,325	559,348	528,082	505,387	500,625	501,189	510,449	520,751
Non-GAAP adjustment	16,302	18,452	16,196	17,094	15,021	13,014	12,932	9,625
Non-GAAP Weighted average shares — diluted	586,627	577,800	544,278	522,481	515,646	514,203	523,381	530,376

Source: Marvell

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